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SENATE

{ REPORT
No. 91

SERVICEMEN'S INDEMNITY ACT OF 1951

FEBRUARY 14, 1951.—Ordered to be printed under authority of the order of the Senate of February 12 (legislative day, January 29), 1951

Mr. GEORGE, from the Committee on Finance, submitted the following

REPORT

[To accompany H. R. 1]

The Committee on Finance, to whom was referred the bill (H. R. 1) to authorize the payment by the Administrator of Veterans' Affairs of a gratuitous indemnity to survivors of members of the Armed Forces who die in active service, and for other purposes, having considered the same, report favorably thereon with amendments, and recommend that the bill as amended do pass.

The amendments are as follows:

Page 2, line 18, strike the word "ninety" and insert the words "one hundred twenty".

Page 3, line 6, after the word "place" and before the comma, insert the words "and within one hundred twenty days after the incurrence of such disability".

Page 3, line 11, after the word "station" insert the words "and within one hundred twenty days after the incurrence of such disability".

Page 3, line 22, after the word "insured" and before the parenthesis insert the words "at any time prior to entry into the active service for a period of not less than one year".

Page 3, line 22, after the word "insured" and before the period insert, "including those of halfblood and those through adoption".

Page 4, line 8, after the period insert the words "Unless designated otherwise by the insured the term 'parent' shall include only the mother and father who last bore that relationship to the insured."

Page 4, line 13, strike the period and insert a colon and the following language "Provided, That no payment shall be made to the estate of any deceased person."

Page 4, line 20, strike the word "ninety" and insert the words "one hundred twenty".

On page 5, line 1, after the period strike out the words: "Any person in active".

Page 5, lines 2 to 24, inclusive, strike out all the language.

Page 6, lines 1 and 2, strike out all the language.

Page 6, line 18, after the word "Provided" strike out the language: "That this provision shall not apply to any person who".

Page 6, line 19, strike out the language "is thereafter restored to active duty" and insert the words:

That restoration to active duty after commission of any such offense shall restore all rights to an indemnity under this Act.

Page 6, line 25, strike out the word "title" and insert the word "titles".

Page 7, line 2, after the word "amended" insert the words:

and section 15 of Public Law Numbered 2, Seventy-third Congress, March 20, 1933,

Page 7, line 5, after the word "to" strike out the words "a widow, widower,".

Page 7, strike out the language in lines 6 to 8, inclusive.

Page 7, line 8, after the period insert the words:

any other person or persons within the permitted class of beneficiaries, as specified in section 2, if all other persons having contingent rights of equal or greater priority to those of the assignee join in the assignment: *Provided further*, That such assignment shall not affect any payments made prior to its receipt by the Veterans' Administration.

Page 7, line 17, after the word "thereof" strike out the remaining language in that line.

Page 7, line 18, strike out "nity Act of 1951".

Page 7, line 18, strike out the word "section" and insert the word "sections".

Page 7, line 18, after "620" insert "and 621".

Page 8, line 17, after the word "degree" insert the words "and except for".

Page 8, line 18, strike out the word "renders".

Page 8, line 18, strike out the words "uninsurable at standard rates for".

Page 8, line 19, strike out all the language.

Page 8, line 20, strike out the words "writing requirements of nongovernmental insurers" and insert "would be insurable according to the standards established by the Administrator for qualifying under the good health provisions of this Act, as amended,".

Page 8, line 21, after the word "writing" insert the words:

made within one year from the date service connection of such disability is determined by the Veterans' Administration

Page 8, line 22, after the word "Act" insert the words "as amended,".

Page 9, line 1, after the word "therefor" strike the remaining language.

Page 9, lines 2 and 3, strike the language.

Page 9, line 4, strike "Act, as amended".

Page 9, line 10, after the word "That" insert "as to insurance issued under this section".

Page 9, line 10, strike out the word "under" and insert "pursuant to".

Page 9, line 11, strike out the words "under this subsection".

Page 9, line 12, strike out the word "total" and insert the word "the".

Page 9, line 12, strike out the word "commenced" and insert the words "became total".

Page 9, line 13, after the period and before the quote insert:

All persons granted indemnity protection under section 2 of the Servicemen's Indemnity Act of 1951 shall be deemed to be in the active service for the purpose of applying for insurance under this section: *Provided*, That as to persons incurring disability under the conditions stated in the last proviso of section 2 of the Servicemen's Indemnity Act of 1951, application for insurance must be filed within one year after the incurrence of such disability.

Page 9, before line 14, insert:

SEC. 621. After the date of the enactment of this section, any person while in active service for a continuous period in excess of thirty days who is insured under National Service Life Insurance or United States Government Life Insurance and who continues any such insurance in force by the payment of premiums as such premiums become due, shall, upon expiration of one hundred and twenty days after separation from active service, be entitled to have the amount of any such term premiums and that portion of any such permanent insurance premiums representing the cost of the pure insurance risk, as determined by the Administrator, paid on account of any premiums becoming due after the date of enactment of this section and during the period of such active service and one hundred and twenty days thereafter, refunded with interest at the rate of three per centum per annum as to National Service Life Insurance and three and one-half per centum per annum as to United States Government Life Insurance compounded annually to one hundred and twenty days after the date of separation from such active service: *Provided*, That such refund shall not be applied to pay premiums on any insurance contract without specific directions in writing from the insured made while the insurance is in force under premium paying conditions: *Provided further*, That in the event such policy of insurance is matured any such refund shall become payable as a part of the proceeds of the policy: *Provided further*, That any insurance on account of which a refund is made under the provisions of this section shall be nonparticipating for the period covered by the refund: *Provided further*, That whenever benefits under such insurance become payable because of the maturity of such policy of insurance while the insured is in active service or within one hundred and twenty days thereafter, liability for payment of such benefits shall be borne by the United States in an amount which, when added to any reserve of the policy at the time of maturity, will equal the then value of such benefits under such policy. Where life contingencies are involved in the calculation of the value of such benefits, the calculation of such liability or liabilities shall be based upon such mortality table or tables as the Administrator may prescribe with interest at the rate of three per centum per annum as to National Service Life Insurance and three and one-half per centum per annum as to United States Government Life Insurance. The Administrator is authorized and directed to transfer from time to time from the National Service Life Insurance appropriation to the National Service Life Insurance fund and from the Military and Naval Insurance appropriation to the United States Government Life Insurance fund such sums as may be necessary to carry out the provisions of this section: *Provided further*, That this section shall not apply to any period for which premiums are paid by the United States.

EXPLANATION OF AMENDMENTS

Section 2: Increase from 90 to 120 days the period after separation or release from active service during which indemnity coverage would continue.

Provide that the indemnity shall be payable to those provisionally accepted and directed or ordered to report for final acceptance, and registrants ordered to report under the Selective Service Act of 1948, as amended, only in case death results within 120 days after incurrence of disability incurred while en route to the designated station.

Section 3: Define the phrase "person who stood in loco parentis to the insured" to include only those who bore such relationship to

the service person for a period of not less than 1 year prior to his entry into active service.

Define brothers and sisters to include brothers and sisters of the half-blood and those through adoption.

Provide that unless designated otherwise by the insured the term "parent" shall include only the mother and father who last bore that relationship to the insured.

Makes it clear that no indemnity shall be paid to the estate of any deceased person.

Section 5: Strike from section 5 all of the provisions thereof except those which limit the maximum amount of indemnity and other Government insurance in any one case to \$10,000.

Extends the 90-day period to 120 days to conform with the extension in section 2.

The provisions of section 5, which would be stricken, would authorize acceptance of the cash value of any Government policy by those in service with the right to secure an equal amount of such insurance after separation from service upon application made in writing within 90 days after separation from active service, submission of evidence of good health and payment of the required premium. The stricken provisions would further authorize issue of insurance on the 5-year level premium term plan after separation from active service to any person having Government insurance on the term plan which expired while in active service. The stricken provisions would further authorize any one, otherwise eligible, to secure insurance protection under either of the two above mentioned provisions except inability to meet the health requirements thereof to apply for nonparticipating National Service life insurance. A substitute for the stricken provisions is included in the proposed new section 621, hereinafter referred to.

Section 8, which contains the forfeiture provisions of the bill, was amended for purposes of clarification to make sure that restoration to active duty after commission of any such offense shall restore all rights to an indemnity under this act.

Section 9, which deals with assignment was amended for purposes of clarification and administration. The amendment permits an assignment within the permitted class of beneficiaries if the beneficiaries having rights equal to or greater join in an assignment. This procedure would not require all beneficiaries within the permitted class to sign. It also provides such assignment shall not affect payments made prior to its receipt by the Veterans' Administration.

Section 10: Amend the proposed section 619 of the National Service Life Insurance Act of 1940, as amended, by striking therefrom reference to section 5 of the Servicemen's Indemnity Act of 1951 and including reference to a new proposed section 621 of said act.

Amendments to section 620 would limit the right to apply for nonparticipating insurance to those having a service-connected disability which would be compensable if 10 percent or more in degree after separation from service and except for which the person would be insurable under standards established for applying for national service life insurance. Application for such insurance could be made at any time after separation from service and within 1 year after a finding of service-connection disability is made. The existence of total disability prior to the date of application for insurance would not bar the right to waiver of premiums under section 602 (n) of the National

Service Life Insurance Act of 1940, as amended. Those applying for insurance who are disabled after being provisionally accepted for service or as registrants under the Selective Service Act of 1948, as amended, while en route to the designated place for entry into service must apply for insurance within 120 days after the incurrence of such disability.

Specifically provides also that all persons granted indemnity protection under section 2 of the bill shall be deemed to be in the active service for the purpose of applying for insurance under the provisions of section 620, and requires that as to persons incurring disabilities under the conditions stated in the last proviso of section 2 of the bill, application for insurance under section 620 must be filed within 1 year after the incurrence of such disability.

Section 621 provides that any person in the active service for a continuous period in excess of 30 days who is insured under national service life insurance or United States Government life insurance and who continues any such insurance by the payment of premiums while in active service shall be entitled to have the amount of any premiums paid for the period extending from the enactment of the bill or the date of entry into active service, whichever is later, to 120 days after separation from such service refunded. With respect to term-insurance premiums, all premiums paid during such period would be refunded. With respect to permanent plan premiums, the refund would consist of that portion of the premiums representing the cost of the pure insurance risk paid during such period. Such refunded premiums would bear interest at 3 percent per annum as to national service life insurance and $3\frac{1}{2}$ percent as to United States Government life insurance, compounded annually to 120 days after separation from active service. The new section would further provide that refunds would not be applied to pay premiums on insurance without specific directions in writing from the insured while the insurance is in force; that if the policy is matured by death the refund would be paid as part of the proceeds of the policy; that any insurance on account of which refund is made shall be nonparticipating for the period covered by the refund; that whenever benefits of insurance become payable because of maturity of such policy of insurance while the insured is in active service, or within 120 days thereafter, the liability for payment of such benefits shall be borne by the United States in an amount which, when added to any reserve of the policy at the time of maturity, will equal the then value of such benefits; that where life contingencies are involved in the calculations of the value of such benefits, the calculation of liabilities shall be based on such mortality tables as the Administrator may prescribe, with interest at the rate of 3 percent per annum as to national service life insurance and $3\frac{1}{2}$ percent per annum as to United States Government life insurance; that the Administrator shall transfer from time to time from the national service life insurance appropriation to the national service life insurance fund and from the military and naval insurance appropriation to the United States Government life insurance fund such sums as may be necessary to carry out the provisions of this section; and that the provisions of this section shall not apply to any period for which premiums are paid by the United States.

BRIEF EXPLANATION OF BILL

1. On and after June 27, 1950, each person in the Armed Forces is insured against death in the amount of \$10,000 without cost to the person.

2. Protection covers period of active service and periods following call or order to active service or final induction and, in most cases, 120 days after separation from service.

3. Any person released from active service who is found suffering from a disability for which compensation would be payable if 10 percent or more in degree, and, but for such disability, would be insurable according to standards established for qualifying for good health under the National Service Life Insurance Act of 1940, as amended, may, upon application made within 1 year after service connection of such disability is determined by the Veterans' Administration, be granted nonparticipating insurance under the mentioned act. Waiver of premiums on such insurance under section 602 (n) of said act could not be denied on the ground that the service-connected disability became total prior to the effective date of such insurance.

4. Bars generally future entrants to United States Government life insurance and the national service life insurance programs, after enactment of this Act.

5. Beneficiaries limited to members of immediate family.

6. Maximum indemnity paid in monthly installments of \$92.90 each over 10-year period.

7. Indemnity is exempt from the claims of creditors and from taxation.

8. Persons continuing to pay premiums on United States Government life insurance while in active service after the enactment of the bill would after separation therefrom be entitled to a refund with respect to premiums paid during such service and premiums paid during the following 120 days, with interest thereon at the rate of 3 percent as to national service life insurance, and 3½ percent as to United States Government life insurance, compounded annually. In the case of term insurance, all premiums so paid would be refunded. In the case of permanent plan insurance, the refund would consist of that portion of the premiums so paid which represents the cost of the pure insurance risk. If the insured died in active service, the refund due would be paid as part of the proceeds of the policy. The indemnity would be decreased by the amount of Government insurance in force at the time of death.

SAVINGS

The bill carries out the principles enunciated in the President's message of January 15, 1951. The savings under the bill will increase as the amount of Government insurance in force and the administrative work required in connection therewith diminish. The Comptroller General has estimated that had an automatic free indemnity free of charge to the serviceman had been in force during the period 1940-49, the cost of the Government would have been reduced by approximately \$587,000,000.

EXPLANATION OF THE BILL BY SECTIONS

The bill, as reported to the Senate, contains two parts—part I is cited as the "Servicemen's Indemnity Act of 1951," and part II as the "Insurance Act of 1951."

SECTION 2

That on and after June 27, 1950, except as otherwise provided, any person in the active service of the Army, Navy, Air Force, Marine Corps, Coast Guard, or the Reserve components thereof, including the National Guard under the conditions hereinafter noted, shall be automatically insured, without cost to the person, against death in active service in the amount of \$10,000. Also included in this coverage are cadets and midshipmen of the United States Military, Naval, and Coast Guard Academies, and commissioned officers of the Public Health Service and Coast and Geodetic Survey while engaged in specified types of duty. In addition, servicemen called for active service for a period exceeding 30 days will be covered after separation from the service for a short period of 120 days, so that they may have that time within which to adjust their affairs and still be protected while deciding upon the type of insurance protection they may wish to purchase from a commercial insurance company. This additional protection would not be available to a man who spends a few days each month in active-duty training as a part of some local Reserve unit.

The broad coverage of the bill would include aviation cadets who are taking training in that field in any one of the three services, as well as persons in the Reserve components, including the National Guard, while engaged in aerial flight in Government aircraft, regardless of the period of time involved in such duty, provided such flights are incident to their military or naval training. Members of the National Guard, except as noted above, are included only when they are called or ordered to active duty or active training duty for a period of 14 days or more. A man serving in the National Guard on maneuvers for 2 weeks during the summer, for example, would have the protection afforded by this legislation. On the other hand, it would not provide protection for members of the National Guard who are performing training duty in a drill hall once or twice a month. Neither would it give protection to a man injured when the guard was acting as an agency of the State in quelling a riot or other disturbance. The committee has been advised that any such injuries are compensable under the laws of the individual States.

As amended by the committee, the indemnity would be extended as of June 27, 1950, to persons, including volunteers for enlistment and reservists called to active duty, who were or shall be provisionally accepted and directed or ordered to report to a place for final acceptance or for entry upon active duty and who died or shall die as the result of disability incurred while en route to such place. Similar coverage is extended to selectees who, in response to an order to report for induction and after reporting to a local draft board, died or die as the result of disability incurred while en route from such draft board to a designated induction station. In all such cases, the death shall be deemed to have occurred in active service for the

purposes of part I. The indemnity in such disability cases is not payable unless death occurs within 120 days after the incurrence of such disability.

It will be noted from this section, and it should be stressed, that this will give retroactively automatic protection to all men who have been in the service since the fighting in Korea started, and in the event of death in such service, will authorize payment to their beneficiaries of the \$10,000 indemnity, subject to the provision that beneficiaries of those persons having other Government insurance in force at the time of death will receive the difference, if any, between the amount of such insurance and \$10,000.

SECTION 3

Section 3 directs the Administrator of Veterans' Affairs to pay the indemnity, upon certification of the death by the Secretary of the service department concerned, to the surviving spouse, child or children, parent, brother, or sister of the insured. This, it will be seen, limits the beneficiaries to the survivors in the immediate family of the insured. Beneficiaries within these classes may be named by the insured. If the designated beneficiary or beneficiaries do not survive the insured, or if none has been designated, the indemnity is payable to the first eligible class of beneficiaries according to the order set forth above, and in equal shares if the class is composed of more than one person. Any installments not paid to a beneficiary during such beneficiary's lifetime are payable to the named contingent beneficiary, if any; otherwise, to the beneficiary or beneficiaries within the permitted class next entitled to priority.

SECTION 4

Section 4: The indemnity is payable in equal monthly installments of 120 in number, with interest at the rate of $2\frac{1}{4}$ percent per annum. The committee is advised that this will amount to \$92.90 per month for a 10-year period in cases in which the maximum indemnity is payable.

In the insurance programs applicable to World War I and World War II veterans provision is made for options to be selected either by the insured or at the election of the beneficiary. In restricting the indemnity payments to equal monthly installments over a 10-year period, the committee is endeavoring to simplify administration and at the same time to assure a substantial monthly payment for a reasonable period of time. This will provide a larger sum than the monthly annuity payments under the existing Government insurance programs for widows with children during the time when a larger income will be most needed. It has not been the policy of the Congress at any time to permit lump-sum settlement of gratuitous insurance.

SECTION 5

Section 5 limits the total liability of the Government to \$10,000 in any case where an indemnified person also has Government insurance in force. Thus, if a man in the service had \$5,000 of national service life insurance in force at the time of his death on or after June 27, 1950,

the beneficiary would receive \$5,000 national service life insurance and \$5,000 gratuitous indemnity.

SECTION 6

Section 6 authorizes the Administrator of Veterans' Affairs to promulgate such rules and regulations as may be necessary or appropriate to carry out the purposes of part I. He presently has such authority under the National Service Life Insurance Act with reference to the amendments of that act proposed under part II of the bill.

SECTION 7

Section 7 authorizes appropriations for the payment of liabilities under the Servicemen's Indemnity Act of 1951.

SECTION 8

Section 8 provides that any person guilty of mutiny, treason, spying, or desertion, or who, because of conscientious objections, refuses to perform service in the land or naval forces of the United States, shall forfeit all rights to an indemnity under the act; also, that no benefit shall be payable for death inflicted as a lawful punishment, except when inflicted by an enemy of the United States. However, the section contains a proviso which makes it clear that restoration to active duty after commission of any such offense shall restore all rights to an indemnity.

SECTION 9

Section 9 makes applicable to part I the provisions of Public Laws 262 and 844 of the Seventy-fourth Congress, as amended, which, among other things, would exempt the indemnity from taxation and claims of creditors; provide for the payment of benefits to minors and incompetents, with or without guardians; and regulate the recognition and fees of attorneys and agents. Provision is also made in this section that all or any part of the beneficiary's interest may be assigned to any person in the permitted classes when all other such persons having rights equal to or greater than those of the assignee join in the assignment.

SECTION 10

Will add three new sections to the National Service Life Insurance Act of 1940, as amended, numbered sections 619, 620, and 621. Section 619 will prohibit the future issue of United States Government life insurance or national service life insurance to any person in or out of service except as provided in section 620. Section 619, however, makes it clear that its provision shall not be construed to prohibit the issue of national service life insurance or United States Government life insurance in which acceptable applications have been received or have been placed in the mails properly addressed to the Veterans' Administration or have been delivered to an authorized representative of any of the uniformed services prior to the enactment of the bill.

Section 620 provides that any person who is released from active service under other than dishonorable conditions on or after the date of enactment of the bill and is found by the Administrator to be suffering

from a disability for which compensation would be payable if 10 percent or more in degree and, except for which such person would be insurable according to standards for qualifying under the good health provisions of the National Service Life Insurance Act, as amended, shall, upon application in writing made within 1 year from the date service connection of such disability as determined by the Veterans' Administration and payment of premiums be granted nonparticipating life insurance against the death of such person occurring while such insurance is in force. Waiver of premiums issued under this section pursuant to section 602 (a) cannot be denied on the ground that the service-connected disability became total prior to the effective date of such insurance. All persons granted indemnity protection under section 2 of part I of the bill are deemed to be in the active service for the purpose of applying for insurance, but as to persons provisionally accepted and directed or ordered to report for final acceptance offer entry into active service and registrants under the Selective Service Act of 1948, as amended, who incur disability while en route to a designated station, as specified in the last proviso of section 2 of part I of the bill, but who do not die within 120 days, may apply for insurance under this section, but in such cases application for such insurance must be filed within 1 year after the incurrence of such disability. Premiums collected on this insurance will be credited directly to the revolving fund in the Treasury of the United States and payments of such insurance will be directly made from such fund. Appropriations to such funds are authorized.

Section 621 provides that any person in the active service for a continuous period in excess of 30 days who is insured under national service life insurance or United States Government life insurance and who continues any such insurance by the payment of premiums while in active service shall be entitled to have the amount of any premiums paid for the period extending from the enactment of the bill or the date of entry into active service, whichever is later, to 120 days after separation from such service refunded. With respect to term insurance premiums, all premiums paid during such period would be refunded. With respect to permanent plan premiums, the refund would consist of that portion of the premiums representing the cost of the pure insurance risk paid during such period. Such refunded premiums would bear interest at 3 percent per annum as to national service life insurance and 3½ percent as to United States Government life insurance, compounded annually to 120 days after separation from active service. The new section would further provide that refunds would not be applied to pay premiums on insurance without specific directions in writing from the insured while the insurance is in force; that if the policy is matured by death the refund would be paid as part of the proceeds of the policy; that any insurance on account of which refund is made shall be nonparticipating for the period covered by the refund; that whenever benefits of insurance become payable because of maturity of such policy of insurance while the insured is in active service or within 120 days thereafter, the liability for payment of such benefits shall be borne by the United States in an amount which, when added to any reserve of the policy at the time of maturity, will equal the then value of such benefits; that where life contingencies are involved in the calculations of the value of such benefits, the calculation of liabilities shall be based on such mortality tables as the Administra-

tor may prescribe with interest at the rate of 3 percent per annum as to National Service life insurance and 3½ percent per annum as to United States Government life insurance; that the Administrator shall transfer from time to time from the national service life insurance appropriation to the national service life insurance fund and from the military and naval insurance appropriation to the United States Government life insurance fund such sums as may be necessary to carry out the provisions of this section; and that the provisions of this section shall not apply to any period for which premiums are paid by the United States.

SECTION 11

Section 11 provides that nothing in the act shall be construed to cancel or restrict in any way any rights under insurance contracts issued on or prior to the date of its enactment. The committee has been advised that in the absence of this specific provision the language of the bill would not preclude renewal of term insurance, if otherwise authorized, or future reinstatement or conversion of policies which have lapsed before or after the enactment of the bill. Should the question arise as a result of improper interpretation by any Government agency, it is the opinion of the committee that the courts would sustain the position that contract rights cannot be affected by subsequent legislation. In any event, section 11 will remove any doubt as to such matters.

SECTION 12

Section 12 states that part II may be cited as the "Insurance Act of 1951."

SUMMARY

Thus it will be seen that this bill provides a maximum uniform coverage for all men who entered the Armed Forces after June 27, 1950, and who will enter in the future. To the extent that it supersedes Government life insurance, it should eliminate all of the administrative costs and manpower currently required to handle applications, premium collections, records, and accounts under the National Service Life Insurance Act. It provides the same protection to all survivors of men killed in the service of their country and authorizes insurance protection after separation from service in all cases where service-connected disabilities have impaired insurability. It also encourages those having national service life or United States Government to carry such insurance during service and to continue it after separation therefrom.

ESTIMATE OF COST

In view of a number of indeterminate factors involved, it is not possible to make an accurate estimate of the cost or savings which would be effected by the bill. However, it is manifest to your committee that its enactment, in lieu of the continuance of national service life insurance generally, will result in very substantial over-all savings to the Government. In this regard, the Comptroller General of the United States has estimated that had the indemnity program been in effect during the period from October 8, 1940, to June 30, 1949, in lieu of the national service life insurance program, the cost to the Government would have been reduced by approximately \$587,000,000.

The reports from the Veterans' Administration and the Bureau of the Budget on S. 304, companion bill to H. R. 1, are as follows:

JANUARY 18, 1951.

Hon. WALTER F. GEORGE,
*Chairman, Committee on Finance,
United States Senate, Washington 25, D. C.*

DEAR SENATOR GEORGE: This is with further reference to your request of January 13, 1951, for a report on S. 304, Eighty-second Congress, entitled "A bill to authorize the payment by the Administrator of Veterans' Affairs of a gratuitous indemnity to survivors of members of the Armed Forces who die in active service, and for other purposes."

The principal purposes of S. 304 are as follows:

1. To provide automatic, gratuitous, life indemnity protection in the maximum amount of \$10,000 for all persons who on or after June 27, 1950, were in the active service of the Armed Forces, or within 90 days after separation or release from such active service. The indemnity protection in the case of any person insured under a contract of national service life insurance or United States Government life insurance would be limited to a principal amount of indemnity equal to the difference between the amount of such insurance in force at the time of death and \$10,000. The indemnity would be payable in 120 equal monthly installments at the rate of \$9.29 per thousand.

2. To provide indemnity protection for certain groups not eligible to apply for national service life insurance under existing law, including cadets and midshipmen at the service academies; and persons in the Reserve components, including the National Guard, while engaged in aerial flights in Government-owned or leased aircraft for any period of time, or while engaged in active duty or active training duty for certain periods less than 31 days. The right to apply for national service life insurance is limited presently to those ordered to active service for more than 30 days.

3. To prohibit the future issue of national service life insurance or United States Government life insurance except to those who are rendered uninsurable as the result of service-connected disability, and, in certain cases, to those who surrender their permanent plan insurance after entry into active service.

4. To authorize those in active service having permanent plans of national service life insurance or United States Government life insurance to surrender such insurance for its cash value and to reinstate such insurance or to apply for an equal amount of such insurance on the same plan upon application made within 90 days after separation from active service.

5. To authorize the granting of nonparticipating life insurance to any person who is released from active service, under other than dishonorable conditions, on or after the date of enactment of the bill, and who is found by the Administrator of Veterans' Affairs to be suffering from a disability or disabilities for which compensation would be payable if 10 percent or more in degree which renders such person uninsurable at standard rates for ordinary life insurance, according to recognized underwriting requirements of nongovernmental insurers. Written application and payment of premium would have to be made within 1 year from date of release from active service.

No doubt, enactment of the bill would provide automatic, gratuitous, life indemnity protection for all persons embraced by the bill and it would eliminate a great amount of administrative work which otherwise would be required under the National Service Life Insurance Act of 1940, as amended, if that program is continued. The proposed plan would guarantee maximum (\$10,000) protection to all, which is favored by many as being a great improvement over the present system under which many servicemen do not apply for any insurance and, in many instances, for less than the maximum protection. The manpower savings which eventually would result from enactment of the bill, particularly in the event of an all-out emergency, would be very desirable.

The following comments are furnished the committee with the view to inviting attention to certain provisions of the bill which require clarification or which are of such nature as to suggest the advisability of careful consideration in the light of experience and legislative history. Such comments are not intended to indicate any judgment or recommendation on my part on the basic purpose of the bill to provide an indemnity system as a substitute for the present system of Government insurance.

Under the provisions of section 2 of the bill the indemnity would cover persons ordered to active duty or active training duty for periods of less than 31 days

in the Armed Forces and in the Reserve components thereof, including the National Guard. Persons in such groups would be included while engaged in aerial flights for any period of time if the flight is incident to their military or naval training. Under the provisions of the National Service Life Insurance Act, members of the Armed Forces and Reserve components, including the National Guard, are not eligible to purchase such insurance unless they are ordered to active duty in the land or naval forces of the United States for a period of not less than 31 days. Also, cadets and midshipmen at the various academies have not been considered as being in the active military or naval service for the purpose of purchasing national service life insurance, except during the period of World War II, which was terminated for this purpose, on December 31, 1946. Under existing law cadets and midshipmen and their dependents are entitled to compensation for service-connected disability or death. Generally speaking, the other groups mentioned above are entitled to such compensation for disability or death due to disease if ordered to active duty in excess of 30 days, and for injury were ordered to active duty for training or inactive duty training for any period of time.

The provisions of section 2 of the bill could be construed as providing an indemnity to all persons while in the active service for any period of time, other than the National Guard, and provide an indemnity to persons in the National Guard only when called or ordered to active duty or active training duty for 14 days or more. On the other hand, it could also be construed with respect to all persons in the named services, including the National Guard, as providing an indemnity only for those called or ordered to active duty or active training duty for 14 days or more, other than those engaged in aerial flights in Government-owned or leased aircraft. If the 14-day limitation is intended to apply only to the National Guard, it is suggested that such intent could be clarified by striking the comma after the words "National Guard" in line 9, page 1 of the bill.

Section 3 provides that the indemnity shall be paid by the Administrator of Veterans' Affairs "upon certification by the Secretary of the service department concerned of the death of any person deemed to have been automatically insured under this part." As it is not clear whether it is intended that such official shall also certify as to the death of persons within the 90-day period after separation, it is suggested that the committee may wish to clarify this aspect.

The indemnity would be payable only to the surviving spouse, child, or children (including a stepchild, adopted child, or illegitimate child if the latter was designated as beneficiary by the insured), parent (including a stepparent, parent by adoption, or person who stood in loco parentis to the insured), brother, or sister of the insured. It is noted that there is no requirement as to the length of time or when the relationship of one standing in loco parentis must have existed. Under the provisions of the National Service Life Insurance Act, relationship of parent in such cases must have existed for not less than 1 year prior to entry of the "child" into active service. Such requirements have been deemed necessary to assure bona fide relationships and to prevent possible trafficking in the lives of servicemen.

It should be noted that an individual may have more than two parents, as that term is defined by the bill, all of whom might share the indemnity at the same time. Thus, adoptive parents who reared a child from infancy would have to share the Government's bounty equally with the natural parents who abandoned the child or with parents who stood in loco parentis for any period however short. Under the National Service Life Insurance Act, insurance is payable only to the parent or parents who last bore that relationship to the insured unless some other parent is designated as beneficiary by the insured. Gratuitous insurance under the mentioned act is payable to a parent only if dependent at the time of death of the insured, and is not payable in any case to a brother or sister. In fact, this provision is a radical departure from all of the existing veterans' laws authorizing gratuitous benefits, insofar as it includes as direct beneficiaries nondependent parents and the new group of brothers and sisters, without regard to dependency.

It is suggested that the provisions pertaining to payments not paid to a beneficiary during his lifetime would be clarified by inserting the words "of an indemnity" after the word "installments" in line 22, page 3 of the bill.

Section 4 provides that the indemnity shall be payable in equal monthly installments of 120 in number with interest at the rate of $2\frac{1}{4}$ percent per annum. In other words, the indemnity would be payable for 10 years at the monthly rate of \$9.29 per 1,000. Experience has proven that a provision limiting payments for

a fixed number of months is difficult to maintain because of the resulting hardship to those who would be cut off from the income, especially those who would be more dependent upon that income in their declining years. When the termination of the 240 installments of insurance payable occurred with respect to dependent parents of deceased veterans of World War I, the Congress saw fit to increase their monthly rates of death compensation. It was to overcome this result that provision was made for the life income guaranty for persons in the older age brackets under the original National Service Life Insurance Act. Under the National Service Life Insurance Act interest is at the rate of 3 percent per annum as contrasted with the interest rate of $2\frac{1}{4}$ percent per annum under the bill. This reduction in the interest rate will create a reduced benefit in comparison with payments made over a similar period of time under contracts of national service life insurance. Under the National Service Life Insurance Act, as amended, insurance may be payable in a lump sum, in installments of from 36 to 240 months, or under certain life annuity settlements.

The provisions of section 5 make clear that the maximum indemnity will not be payable in addition to any Government insurance in force at the time of death. However, it is provided that in case a person is also insured under a contract of Government insurance, a principal amount of indemnity equal to the difference between the amount of such insurance and \$10,000 would be payable. Therefore, in order to take full advantage of the maximum free indemnity, persons in the active service having national service life insurance or United States Government life insurance will be required to take certain steps to terminate their coverage under such insurance. In this regard the bill provides that persons having permanent plans of such insurance may surrender it for its cash value and upon application within 90 days after separation from active service reinstate the same or be granted new insurance on the same plan in an equal amount, without medical examination. It would appear that this provision is included to protect the interest of those who surrender for cash by exempting them from the provision in the National Service Life Insurance Act (sec. 602 (c) (2)) that insurance surrendered for cash may not be reinstated nor may such person be granted new insurance in an amount in excess of the difference between the amount of the insurance surrendered and \$10,000. No provision is contained in the bill with respect to preserving or reviving any rights under 5-year level premium term contracts issued prior to January 1, 1948, in cases where the term period may expire during the active service of the insured. However, such term policyholders may renew their insurance prior to expiration of the term, or they may convert to a permanent plan while in the active service, lapse the same, and then reinstate such insurance after separation from service, upon a showing of good health.

Section 5 also provides that waiver of premiums under the National Service Life Insurance Act of 1940, as amended, shall not be denied in any case in which it is shown to the satisfaction of the Administrator that total disability of the applicant commenced prior to the date of his application. It is assumed that this provision has reference only to the insurance authorized under section 5, although the broad language might be construed to have general application to all insurance under the mentioned act. It is believed that limiting language to express the intent would be desirable.

The provisions with respect to reinstatement or issue of new insurance without medical examination and waiver of premium for total disability which commenced prior to the application for insurance will impair the integrity of the national service life insurance fund. Such additional liability will arise in those cases in which the preexisting disability is not traceable to the extra hazard of military service. To avoid impairing the fund, the bill should be amended. It has been my consistent policy to recommend unfavorable consideration of proposals to impair the national service life insurance fund for the benefit of special groups. It is suggested that the committee may wish to consider amending this provision so as to place those risks which are uninsurable under the good health provisions of the National Service Life Insurance Act in the same category as the nonparticipating insurance proposed to be granted under section 10 of the bill.

The provisions concerning waiver of premiums, as contained in sections 5 and 10 of the bill, with respect to findings of total disability are not identical, although the reason for such difference is not clear.

The indemnity would be payable generally regardless of the cause of death unless inflicted as lawful punishment for crime or for military or naval offense, except when inflicted by an enemy of the United States. All rights to an indemnity would be forfeited by any person guilty of mutiny, treason, spying, or

desertion, or who, because of conscientious objections refuses to perform services in the land or naval forces of the United States or refuses to wear the uniform of such force. The proviso in section 8 could be construed as exempting an individual from forfeiture for subsequent offenses if restored to active duty after the first offense specified. If such effect is not intended, it is suggested that any possibility of such construction could be avoided if the proviso were amended to read: "Provided, That restoration to active duty after commission of any such offense shall restore all rights to an indemnity under this part."

Section 9 of the bill would make the provisions of Public, Nos. 262 and 844, Seventy-fourth Congress, applicable to the indemnity provisions. Among other things, these acts would exempt the indemnity from taxation and claims of creditors; provide for the payment of benefits to minors and incompetents with or without guardians and regulate the recognition and fees of attorneys and agents. As both Public, No. 262 and Public, No. 844 have been amended, it is suggested that the words "as amended," should be added before the words "and titles II" in line 2, page 6, and before the words "insofar as" in line 4, page 6.

Section 9 also provides that assignments of all or any part of the beneficiary's interest may be made by a beneficiary to a widow, widower, child, father, mother, brother, or sister of the insured, when all other persons within the permitted classes join in the assignment. The National Service Life Insurance Act provides that assignments of all or any part of the beneficiary's interest in insurance may be made only by a designated beneficiary to certain classes when the designated contingent beneficiary, if any, joins in the assignment and on the further condition that the assignment is delivered to the Veterans' Administration before any payments of the insurance shall have been made to the beneficiary. The administration of the assignment provision of the bill without conditions similar to those contained in the National Service Life Insurance Act would be extremely difficult because it would be necessary to contact relatives whose whereabouts and identity may not be known, and would result in considerable controversy and delay in certain cases.

Part II (sec. 10) of the bill would prohibit issue of United States Government life insurance or national service life insurance to any person after its enactment except former insureds under the mentioned permanent plans of insurance surrendered for cash and except those released from active service under other than dishonorable conditions who are found by the Administrator to be suffering from a disability or disabilities for which compensation would be payable if 10 percent or more in degree and which renders such persons uninsurable at standard rates for ordinary life insurance. In such latter cases applications must be made within 1 year from the date of release from active service and payment of the required premiums. Such insurance would be issued on a nonparticipating basis and all premiums and other collections therefor and premiums and other collections hereafter received on nonparticipating insurance issued under other provisions of the National Service Life Insurance Act of 1940, as amended, would be credited directly to a revolving fund in the Treasury of the United States and any payments on such insurance would be made directly from such fund. It is clear that a disability or disabilities for which compensation would be payable if 10 percent or more in degree would include those which are presumptively as well as those which are directly service-incurred, many of which are not the direct result of the performance of military duty. This is in contrast with a provision in the National Service Life Insurance Act with respect to this type of insurance which requires that the disability be the direct result of the performance of military duty. It is suggested that the word "directly" in line 10 of page 7, should be "directed."

Section 11 specifically provides that nothing contained in the bill shall be construed to affect any rights under insurance contracts issued on or prior to the date of its enactment. This would include the right to reinstate or convert any insurance issued prior to the enactment of the bill. As under existing law, such rights under 5-year level premium term insurance, including any right of renewal, would have to be asserted before the expiration of the term period. It is suggested that for clarification the words "cancel or restrict" should be substituted for the word "affect" in this section.

As the bill provides that part I may be cited as the "Servicemen's Indemnity Act of 1951" and part II as the "Insurance Act of 1951," the words "this Act" as used in section 11 could be construed as applying to part II only. If intended to relate to both parts, it is suggested that the words "part I or part II" be inserted before the words "in this Act" in line 16, page 8.

To avoid possible misunderstanding, attention is invited to the fact that administrative savings within the Veterans' Administration cannot be expected

until a considerable period of time has elapsed after enactment of the bill. Underwriting activities required by the provisions of the National Service Life Insurance Act would be materially curtailed. However, many persons in service and those entering who have term policies would convert their term insurance and subsequently surrender such insurance for cash. This will, of course, entail the processing of an unknown number of cash surrender applications and making the necessary refunds. It will also entail the processing of an unknown number of applications for conversion, issuing policies, and subsequently processing cash surrender applications. There will also be an unknown amount of administrative expense and manpower involved in reissuing and reinstating this insurance at time of discharge, as well as the adjudication of many disability claims. Furthermore, those persons in active service who do not convert and surrender their insurance for cash will very likely discontinue their existing Government life insurance in order to take advantage of the indemnity payment. Administratively this will entail the discontinuance of allotments, closing out of premium record cards, and refunding of any unearned premiums.

The granting of insurance under the proposed section 620 to be added to the National Service Life Insurance Act will impose unique problems involving the determination as to whether the serviceman's disability is such that compensation would be payable if 10 per centum or more in degree, and whether the veteran is uninsurable. There are no existing "standard rates for ordinary life insurance, according to recognized underwriting requirements of nongovernmental insurers," which have been adopted by all private insurers. Accordingly, strict compliance with this requirement would be impossible. In view of this, it is suggested that the committee may desire to revise this language of the bill to refer instead to the standards which have been established by the Administrator for qualifying under the good health provisions of the National Service Life Insurance Act, and the regulations issued pursuant thereto.

Because of the many unknown factors, the Veterans' Administration is unable to estimate the cost of the bill, if enacted. Moreover, for the same reasons, it may be noted that the Veterans' Administration would be unable to estimate the future cost of the national service life insurance program if continued on the present basis.

With respect to a similar report on a bill (H. R. 1, 82d Cong.), identical to S. 304 here under consideration, the Bureau of the Budget advised that there would be no objection to the submission of the report to the Congress, and it invited attention to the recommendations contained in the President's budget message of January 15, 1951, for the enactment of legislation embracing the principles involved in the bill.

Sincerely yours,

CARL R. GRAY, Jr., *Administrator.*

EXECUTIVE OFFICE OF THE PRESIDENT,
BUREAU OF THE BUDGET,
Washington, D. C., January 25, 1951.

Hon. WALTER F. GEORGE,
*Chairman, Committee on Finance,
United States Senate, Washington, D. C.*

MY DEAR SENATOR GEORGE: This letter is in reply to a verbal request from your staff for the views of the Bureau on the Budget concerning S. 304 and S. 506, bills "to authorize the payment by the Administrator of Veterans' Affairs of a gratuitous indemnity to survivors of members of the Armed Forces who die in active service, and for other purposes." This report is also generally applicable to H. R. 1 which passed the House of Representatives yesterday, the purpose of which is identical with that of S. 304 and S. 506. Views are also expressed on S. 84, a bill "to provide automatic national service life insurance coverage for certain persons in the active military or naval service."

Part I of S. 304 and S. 506 provides for an indemnity of \$10,000 in the event of death during active service or within 90 days after separation from such service for personnel of the Armed Forces. The indemnity would be payable to certain specified classes of beneficiaries in accordance with a designation by the serviceman or, failing such designation, in a sequence provided in the bill, in 120 equal monthly installments, with interest computed at the rate of 2½ percent per annum. The indemnity would be reduced by the amount of national service life insurance or Government life insurance in force at the time of death. Provision

is included granting certain reinstatement rights to individuals who surrender during periods of active service any national service or Government life insurance other than term insurance. The indemnity provisions would apply in all cases of active service on and after June 27, 1950. H. R. 1, as passed by the House, differs from S. 304 and S. 506 in that it would in addition enable any person in active service having United States Government life insurance or national service life insurance on the 5-year level premium term plan, the term of which expires while he is in active service after the date of enactment of the bill, to be granted the privilege of acquiring an equivalent amount of term insurance on his release from service.

Part II of these bills would terminate the issuance of national service life insurance or Government life insurance contracts upon the effective date of this legislation. It provides for a special insurance system open to any person who is released from active service under other than dishonorable conditions and who is suffering from a service-connected disability which renders him uninsurable at standard rates according to recognized underwriting requirements of nongovernmental insurers. Application is to be made within a year from the date of discharge. This insurance, on a nonparticipating basis, is to be generally subject to the provisions of the National Service Life Insurance Act of 1940, as amended. Premiums and other collections are to be deposited and covered into the Treasury to the credit of a separate revolving fund and any payments on such insurance are to be made directly from the fund. Appropriations to the fund would be authorized.

In their general outlines and objectives, these bills would effectuate the recommendations for immediate revision of the servicemen's insurance system which were proposed in the President's budget message of January 15. Advantages of an indemnity system which make it preferable to continuance of a voluntary insurance system, such as the present one, are:

(a) An indemnity would provide a uniform and equitable minimum of protection for dependents of all servicemen, which is not achieved by the present insurance system;

(b) An indemnity would eliminate virtually all the present costly administration required for payroll deductions and other record keeping under the present insurance system; and

(c) An indemnity would fill a gap that might otherwise occur for some survivors of servicemen if the present voluntary insurance were dropped and no special substitutes were provided.

S. 304, S. 506, and H. R. 1 all fulfill the first two objectives identified above. The importance of reducing administrative expense and conserving manpower now and in the foreseeable future is emphasized both by the greatly increased insurance workloads resulting from rapid Armed Forces expansion and by the manpower problems directly resulting from defense requirements. Although the Veterans' Administration is expanding its staff to handle the increased insurance workloads as expeditiously as possible, some backlog is inevitable and every worker absorbed by national service life insurance work is, of course, unavailable for defense activities. All these factors were taken into consideration by the President in the formulation of the recommendations in his budget message referred to above.

There are, however, some points with respect to the current bills which I should like to call to your attention.

(a) Payment of the gratuity in 120 monthly installments in many cases would leave a gap between the termination of the payments and the age at which the survivor would begin to receive income under other plans of survivor protection. This gap would be only partially filled by the continued receipt of veterans' compensation benefits. Thus the third objective set forth above would in many instances not be fulfilled by these bills. More adequate protection could be made available through the provision for some flexibility in the settlement provisions so that the indemnity could be paid on a basis more consistent with the needs of the beneficiary. Such flexibility could be provided by permitting the beneficiary to choose the 10-year income, income to age 65, or life income.

(b) These bills incorporate by reference various procedural and administrative aspects of the National Service Life Insurance Act of 1940, as amended, which have been the subject of concern both to the Congress and the executive branch of the Government. In particular, the bills fail to require use of modern mortality tables for premium rates and life-income settlements. Further the bills would continue interest at 3 percent rather

than specify the 2½ percent rate used in section 4, which is more nearly the average interest rate on Government obligations.

(c) The bills provide for a 90 day "grace" period after separation from the Armed Forces during which time the former serviceman would continue to receive gratuitous protection. It would appear that this period is longer than necessary to permit the serviceman to make such arrangements as he wished with regard to providing protection to his survivors through commercial insurance. In view of the fact that this unnecessarily extended period of Government liability would increase the cost of the bill at no apparent benefit to the Government, we suggest a shorter period of postservice protection.

(d) Certain individuals who would be eligible for survivor protection under these bills are now eligible for survivor protection under the terms of the Federal Employees' Compensation Act, 1916, as amended. Section 7 of that act provides that any individual entitled to receive benefits under the Federal Employees' Compensation Act shall elect whether to receive such benefits or those available gratuitously under other provisions of law. Language changes necessary to assure avoidance of dual benefits are recommended.

The prospective cost of this legislation depends upon such factors as the size of the Armed Forces and more particularly the number of casualties which may occur. Some indication of the comparative cost, however, is provided by a comparison of the estimated cost of national service life insurance from 1940 to 1949, with the estimated cost of these bills over the same period of time had they been in effect. The basic data are from the seventh intermediate report of the House Committee on Expenditures in the Executive Departments (H. Rept. No. 2761, 81st Cong.), the Veterans' Administration, and the Armed Force.

Actual or estimated cost, in billions

Item	NSLI	S. 304, S. 506, H. R. 1	Indemnity legislation plus or minus NSLI
Death claims.....	\$3.8	\$4.4	+\$0.6
Premium waivers and aviation cadet premiums.....	.1	0	-.1
Extra interest (0.8 percent).....	.3	0	-.3
Subtotal direct benefit payments.....	4.2	4.4	+.2
Administrative costs.....	.7	.1	-.6
Total cost.....	4.9	4.5	-.4

We believe that the comparative cost of the indemnity and the insurance is reflected with substantial accuracy by the above data, and that the savings reflected for the indemnity system represent the reasonable minimum which would have occurred.

In our initial testimony before the House Veterans' Affairs Committee, we estimated that savings might total \$0.8 billion as compared with the \$0.4 billion indicated above. The range in estimates is attributable to a difference in allocating two elements of cost which we feel should be considered by the Congress.

(a) The elimination from national service life insurance costs of \$0.1 billion in interest included in our earlier estimate, which subsequent analysis has indicated to be a questionable charge; and

(b) The inclusion in H. R. 3 costs of an allowance of \$0.3 billion for 30,000 Philippine Army claims at \$10,000 each. This represents a maximum allowance for these gratuitous claims, which are included in national service life insurance death claim costs at \$5,000 each, the amount actually paid.

You will note that while death claim benefit payments under these bills would have been \$0.6 billion greater, the total estimated cost under any of these measures would have been \$0.4 billion less due primarily to reduction in administrative costs. This reduction would have resulted in part from the simpler administrative problem in handling in-service cases, and in part from the reduction in the post-service insurance program.

In addition to reflecting lower costs under the indemnity approach, the estimate also indicates that about 98 percent of the total costs of S. 304, S. 506, or H. R. 1 would be represented by death-claim payments, as compared with about 78 percent under national service life insurance. The \$0.6 billion in additional

death benefits which would have been paid out under indemnity legislation would have gone to the survivors of servicemen without insurance, to the survivors of servicemen with less than \$10,000 insurance, or to the survivors of servicemen who were determined by the Veterans' Administration to have died as a result of normal hazards. In other words, not only would the cost of these bills have been less but they would have provided survivor benefits to many thousands of beneficiaries who did not have national service life insurance protection at all, and to many thousands of others they would have provided more benefits than were available under national service life insurance. In those cases where more than \$10,000 was paid to the beneficiary under national service life insurance because of the obsolete mortality tables used, the bills would limit the benefits paid to \$10,000. This assurance of universal survivor protection in the amount of \$10,000 which is given by S. 304, S. 506, and H. R. 1 appears to us to be desirable, and would result in greater equity to all.

S. 84 would provide gratuitous national service life insurance protection in the amount of \$10,000 to persons dying in line of duty or reporting for service in the Armed Forces during a period commencing June 27, 1950, and ending 120 days after the enactment of the bill. While the bill has in common with S. 304, S. 506, and H. R. 1 the desirable objective of providing universal protection retroactively since June 27, 1950, future coverage would be provided through optional national service life insurance, which results in only partial survivor protection. S. 304, S. 506, and H. R. 1, on the other hand, provide continuous universal coverage under an indemnity system. Furthermore, even the retroactive protection provided under S. 84 would be achieved through the use of the administratively cumbersome national service life insurance system, with resultant additional cost and workload. For these reasons S. 84 cannot be considered in accord with the program of the President.

Subject to your further consideration of the suggestions concerning (a) the optional settlement provisions, (b) continuance of outmoded mortality tables and a subsidized interest rate in the postservice insurance system for disabled veterans, (c) the 90-day grace period, and (d) dual coverage under the Federal Employees' Compensation Act, we wish to advise you that the general approach embodied in S. 304, S. 506, and H. R. 1 is sound and in accord with the program of the President.

Sincerely yours,

ELMER B. STAATS, *Assistant Director.*

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